

AR26



# 1965 ANNUAL REPORT

**THE STEEL COMPANY OF CANADA, LIMITED**







## FIFTY - SIXTH ANNUAL REPORT THE STEEL COMPANY OF CANADA, LIMITED

HAMILTON — ONTARIO

for the year ended December 31, 1965

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### ANNUAL MEETING

The Annual Meeting of the Shareholders of the Company will be held at the Head Office of the Company, in Hamilton, at 11:00 a.m., Eastern standard time, on Monday, April 18, 1966.

#### TRANSFER AGENT

MONTREAL TRUST COMPANY  
Toronto, Montreal, Halifax,  
Winnipeg, Edmonton, Vancouver

#### REGISTRAR

THE ROYAL TRUST COMPANY  
Toronto, Montreal, Halifax,  
Winnipeg, Edmonton, Vancouver

Pour obtenir un exemplaire de la version française de ce rapport, veuillez écrire au secrétaire, The Steel Company of Canada, Limited, Wilcox Street, Hamilton (Ont.).



## THE YEAR IN BRIEF

(with comparative figures for the year 1964)

	1965	1964†
Sales . . . . .	\$516,405,960	\$477,822,640
Net profit . . . . .	\$ 43,453,870	\$ 43,630,484
Per cent of sales . . . . .	8.4%	9.1%
★Per share . . . . .	\$1.80	\$1.91
Dividends and extra distribution declared . . . . .	\$ 20,517,897	\$ 19,751,825
Per share . . . . .	\$ .85	\$ .85
Taxes — income and all other . . . . .	\$ 52,062,854	\$ 48,107,790
★Per share . . . . .	\$2.16	\$2.10
New investment — plants and mining properties . . . . .	\$ 75,539,847	\$109,305,856
Depreciation . . . . .	\$ 27,593,809	\$ 26,003,134
Materials and services bought and used . . . . .	\$256,842,000	\$247,146,000
Total employment costs . . . . .	\$143,178,741	\$123,863,751
Working capital, year end . . . . .	\$180,355,032	\$122,694,819
Steel produced — net tons . . . . .	3,846,214	3,478,698
Average number of employees . . . . .	20,262	18,584
Number of shareholders, year end . . . . .	46,597	40,973

†The figures for 1964 include the results of Page-Hershey Tubes, Limited from the date of acquisition, May 12, 1964.

★Number of shares outstanding: 1965 — 24,139,052  
1964 — 22,885,234 (average for the year)



# THE STEEL COMPANY OF CANADA, LIMITED

## DIRECTORS

W. Herman Browne	<i>President, Moore Corporation, Limited, Toronto</i>
J. D. Campbell	<i>President, Canadian Westinghouse Company Limited, Hamilton</i>
L. T. Craig	<i>Executive Vice-President, Hamilton</i>
Harold S. Foley	<i>Industrialist, Vancouver</i>
J. Roy Gordon	<i>Chairman of the Executive Committee and President, The International Nickel Company of Canada, Limited, New York</i>
*Allan Graydon, Q.C.	<i>Messrs. Blake, Cassels &amp; Graydon, Toronto</i>
H. M. Griffith	<i>Executive Vice-President, Hamilton</i>
G. Arnold Hart, M.B.E.	<i>Chairman and President, Bank of Montreal, Montreal</i>
*H. G. Hilton	<i>Chairman of the Board, Hamilton</i>
*Frederick Johnson	<i>Industrialist, Montreal</i>
*R. A. Laidlaw	<i>Industrialist, Toronto</i>
D. R. McMaster, Q.C.	<i>Messrs. Holden, Hutchison, Cliff, McMaster, Meighen &amp; Minnion, Montreal</i>
L. G. Rolland	<i>President and General Manager, Rolland Paper Company, Limited, Montreal</i>
*V. W. Scully, C.M.G.	<i>President, Hamilton</i>
H. Greville Smith, C.B.E.	<i>Industrialist, Montreal</i>
*Member of the Executive Committee	

## EXECUTIVE OFFICERS

H. G. Hilton	<i>Chairman of the Board</i>
V. W. Scully	<i>President</i>
L. T. Craig	<i>Executive Vice-President</i>
H. M. Griffith	<i>Executive Vice-President</i>
H. J. Clawson	<i>Vice-President</i>
N. J. Brown	<i>Vice-President and Comptroller</i>
R. B. Taylor	<i>Vice-President and Treasurer</i>
J. W. Younger	<i>Secretary</i>

## VICE - PRESIDENTS

<i>Eastern Region</i>	- J. D. Allan
<i>Manufacturing</i>	- A. D. Fisher, J. P. Gordon, A. J. Harris
<i>Sales</i>	- K. B. MacNaughton, A. R. McMurrich



# DIRECTORS' REPORT

## TO THE SHAREHOLDERS OF THE STEEL COMPANY OF CANADA, LIMITED:

The Board of Directors submits herewith the Annual Report of your Company and its subsidiaries, together with the consolidated balance sheet and related financial statements for the year ended December 31, 1965, and the report of your auditors.

In 1965, The Steel Company of Canada, Limited enjoyed record business volume and another year of significant development and progress. Major plant additions were completed and are now in use, and important new projects, designed to enlarge raw material resources and provide still more capacity for the making and processing of steel and steel products, were authorized and are now under way.

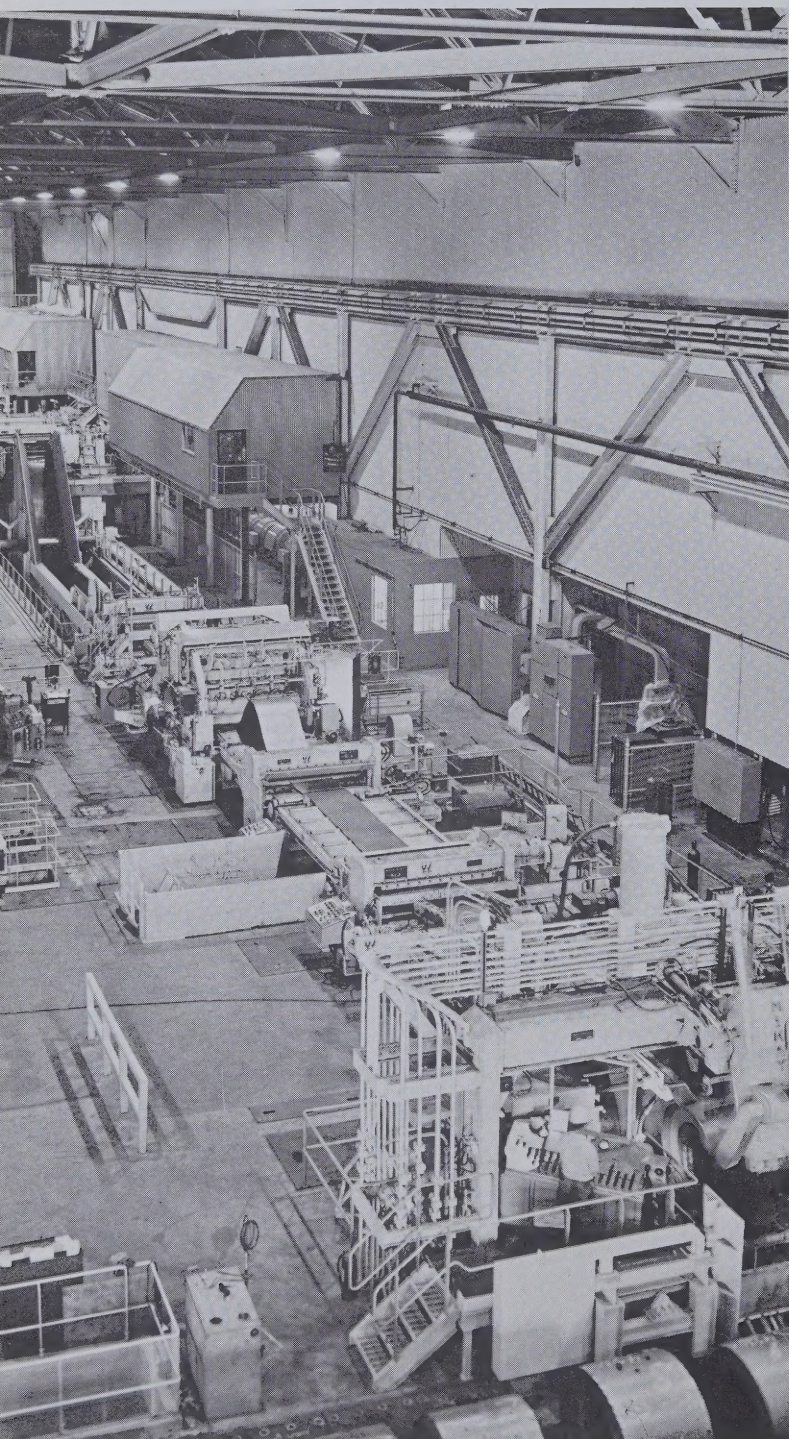
While production and sales were both higher than in any previous year, net profit, affected by in-

creased costs and a higher effective rate of income tax, remained substantially the same as in 1964.

## PRODUCTION

Steel output reached 3,846,214 tons, an increase of 10.6% over the previous record of 3,478,698 tons produced in 1964. With no major change in iron or steelmaking facilities, the increased output reflects technological advances and continuing improvements in operating efficiencies.





The hydrochloric acid pickling line at Hilton Works. The first of its type in Canada, the new line embodies safeguards against water pollution.

Although more steel was produced, demand for the Company's products was such that a considerable tonnage of semifinished steel was purchased from outside mills, at extra cost, to help meet customers' requirements; furthermore, larger stocks were required at various stages of manufacture to support the growing volume of sales and to help alleviate shortages caused by interruptions in some departments due to the expansion and construction programs. Despite such interruptions, high operating rates were maintained at the primary steel plant and the output of the new processing units, started up in the year, rose steadily as the operators gained experience and normal break-in problems were resolved.

Production at the Company's fabricating plants surpassed previous records in most departments as new equipment came into use. The plants of Premier Steel Mills Ltd., in Edmonton and Regina, operated at high rates, and The Canadian Drawn Steel Company, Limited, in Hamilton, produced a greater tonnage of cold drawn bars than ever before.

Relative to available capacity, the demand for tubular products was not as high as that experienced for other product lines. In consequence, operations at the pipe mills did not, on the average, attain the levels required for maximum efficiency. The demand for large-diameter pipe, always intermittent, was lower than in 1964, but the output of other tubular products registered a gain over the previous year.

## **SALES**

New sales records were established for each quarter and consolidated sales for the year amounted to \$516,405,960, compared with \$477,822,640 in 1964, an increase of 8.1%. Most of the increase



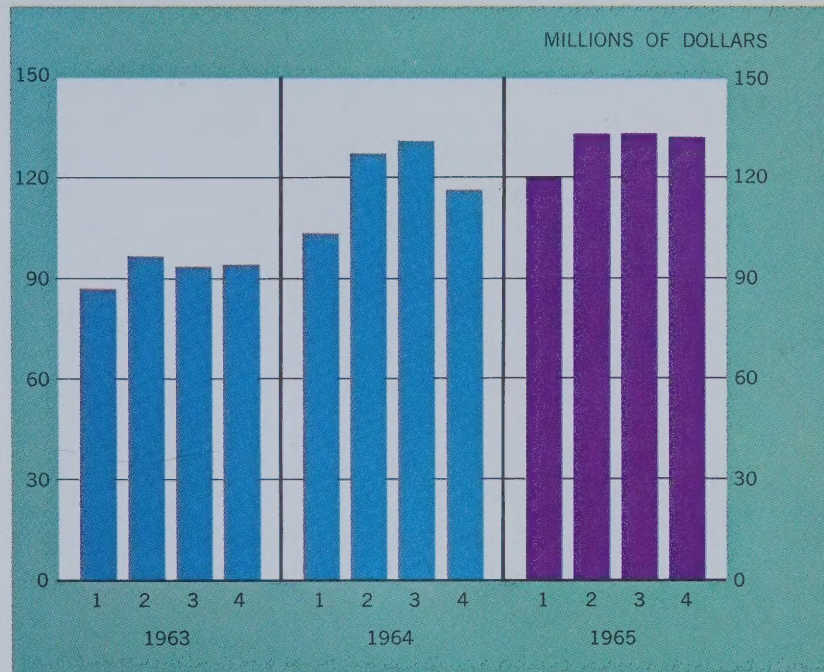
resulted from greater shipments in all major product lines, but moderate advances in selling prices were also a factor. Sales of tubular products included the sales of Page-Hersey Tubes for the full year whereas, in 1964, such sales were included only from the date of acquisition — May 12. Export sales, primarily because of the priority accorded domestic customers, were lower than in 1964.

## PROFITS

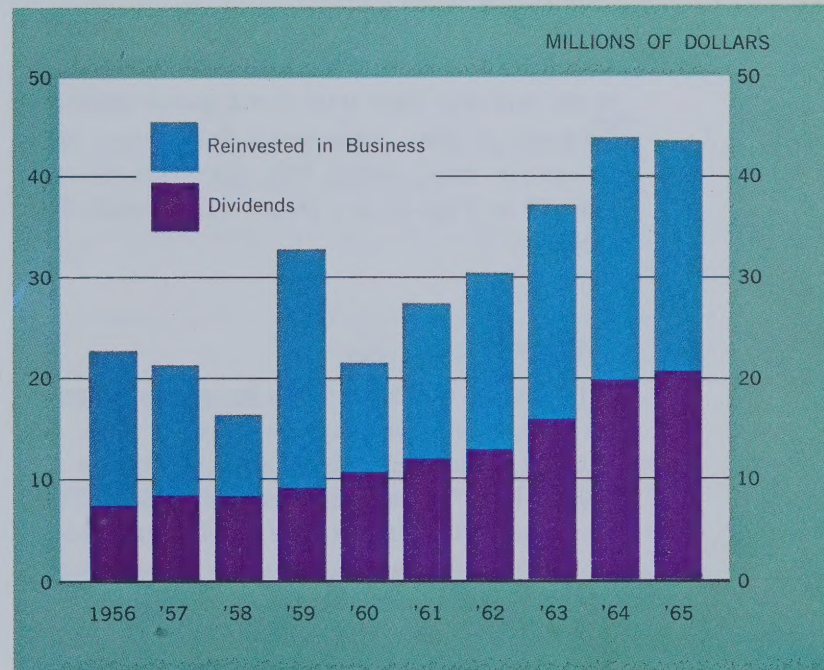
Consolidated net profit amounted to \$43,453,870 in comparison with the profit of \$43,630,484 earned in 1964. The profit represented \$1.80 per share on the 24,139,052 shares outstanding throughout the year. In 1964 the profit earned represented \$1.81 on the same number of shares, or \$1.91 on the average number of shares (22,885,234) outstanding during that year. Net profit as a percentage of sales in 1965 was 8.4% and as a percentage of shareholders' equity was 10.9%. The comparable ratios for the year 1964 were 9.1% and 12.0% respectively.

The principal reasons for the decline in the earnings ratios were: increased employment costs and higher prices for steel scrap and other important supplies and services; unusually heavy expenditures for the relocation of facilities to accommodate plant expansion programs and for bringing new equipment into use; extra costs for steel purchased from outside mills; higher charges for debt interest; and reduced income from securities. In addition, the effective rate of income tax rose appreciably due to the fact that items of nontaxable income included in profits in 1964 did not recur in 1965.

To help restore a reasonable rate of return in the face of continually rising costs, selling prices of many of the principal product lines were raised



CONSOLIDATED NET SALES by Quarters



NET PROFITS AND DIVIDENDS 1956-1965



moderately during the year. The added revenue, however, did not compensate in full for the unfavourable factors cited above. It should be noted that, while prices of individual products fluctuate from time to time in response to market conditions, the adjustments in 1965 constituted the first general revision of the Company's prices in eight years.

Provision for depreciation in 1965 amounted to \$27,593,809, compared with \$26,003,134 in 1964, and was again computed in conformity with the straight-line principles adopted several years ago.

## DIVIDENDS

A dividend of 20 cents a share was declared for each quarter of 1965, and an extra distribution of 5 cents a share was declared in December, making a total distribution for the year of 85 cents a share, the same as in 1964.

Total dividends and the extra distribution declared for the year amounted to \$20,517,897, compared with \$19,751,825 in 1964. The difference was due to the fact that there were fewer shares entitled to dividends in 1964, since Stelco shares were issued at various times during that year subsequent to May 12 as Page-Hersey shares were deposited for exchange.

## FINANCIAL

To provide additional funds for general corporate purposes, your Company, on May 1, 1965, sold privately an issue of \$50,000,000 twenty-five year Sinking Fund Debentures bearing interest at 5½% per annum. The sinking fund requirement amounts to \$1,250,000 annually, commencing on May 1, 1970. The discount and expenses in connection with the issue, \$896,430, were charged to Retained Earnings.

On July 15, 1965, the outstanding 5¾% First Mortgage Serial Bonds Series A and 6¼% First Mortgage Sinking Fund Bonds Series A of Premier Steel Mills Ltd., in the principal amounts of \$200,000 and \$2,275,000 respectively, were redeemed, the premium at redemption, \$114,750, being charged to Retained Earnings.

Working capital, which amounted to \$180,355,032 at December 31, increased by \$57,660,213 during the year. Total current assets at the year end represented \$3.90 for each dollar of current liabilities. There was an increase in cash and securities, and accounts receivable and inventories also rose in line with the higher volume of business. Details of the flow of funds are shown in the Consolidated Statement of Source and Use of Funds on page 19.

Investments, at cost, in associated companies not consolidated amounted to \$19,011,896 at December 31, 1965, compared with \$17,824,264 at December 31, 1964. The increase was due, principally, to the purchase of a half-interest in Baycoat Limited, referred to later in this report.

## PLANTS AND PROPERTIES

Capital expenditures for plant and equipment, including mining properties, amounted to \$75,539,847 in 1965. At the year end, the estimated cost of completing authorized projects was \$190,000,000.

### Hilton Works

Several important new facilities were completed during the year and are now in operation, adding to capacity and providing for better quality and a wider range of steel products. They include the 148" plate mill, officially opened in September by the Prime Minister of Ontario; the vertical edger in No. 2 blooming mill; the 80" pickling line; the 80" temper



mill; and modifications and improvements to the 110" plate mill, which is now fully integrated with the 56" hot strip mill.

Major projects now under construction at this Works include a fifth blast furnace which, when completed in 1967, will increase pig iron capacity by about 50%; an additional battery of coke ovens; a six-strand continuous billet casting machine capable of producing 350,000 tons of billets annually; a second rod mill; and other important additions and improvements designed to raise productive capacity and improve efficiency and customer service. Engineering for the installation of a third continuous galvanizing line is virtually complete.

**Fabricating Plants and Subsidiaries**

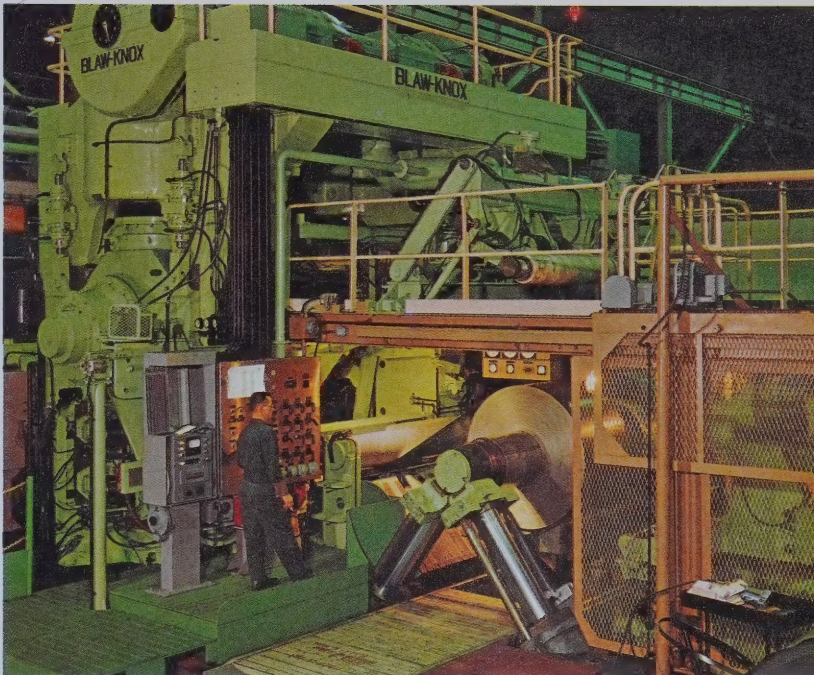
At McMaster Works, Contrecoeur, Quebec, the first section of the new bar mill was brought into use, providing additional rolling capacity and a wider range of bar products for the markets normally served from Montreal.

A major extension to the boltmaking and warehousing facilities at Swansea Works, Toronto, was completed in the final quarter of the year, and the installation of a new heat treatment line in 1966 will add still further to the product range of this plant.

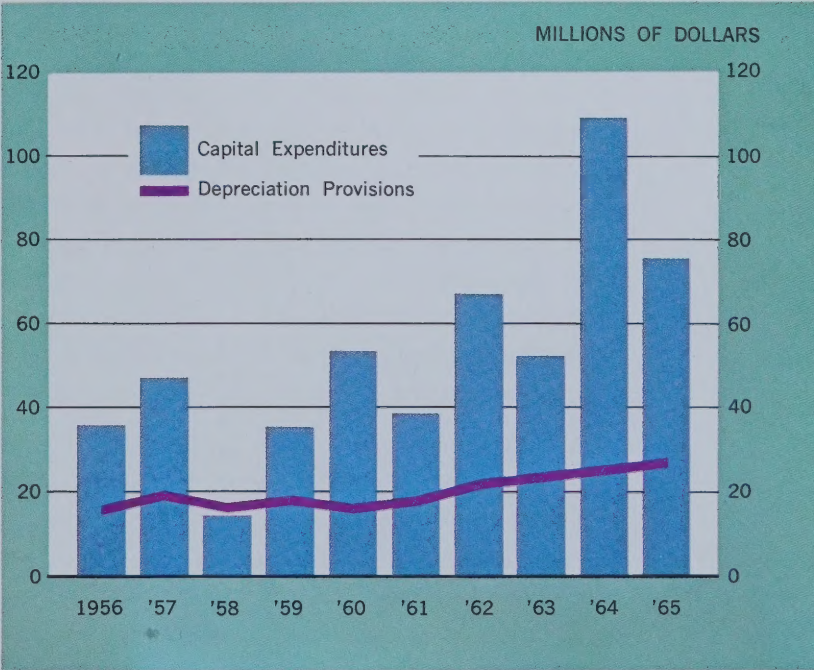
An expansion of screw manufacturing facilities is under way at Canada Works in Hamilton.

At Premier Works, in Edmonton, construction has begun on the first stage of a development program designed to improve product quality, reduce costs and increase capacity. It is expected that this program will be completed within the next three years.

The plant of The Canadian Drawn Steel Company, Limited is being extended again to meet an increasing demand for the special quality products made by this subsidiary.



The new 80" temper mill at Hilton Works improves product quality and extends Stelco's size range and capacity for processing cold rolled sheets.



**CAPITAL EXPENDITURES AND DEPRECIATION PROVISIONS 1956-1965**



### **Research Centre**

Following initial delays, work on the Company's Research Centre in Burlington, Ontario, is proceeding satisfactorily. The Centre is now scheduled for completion in August this year.

### **Baycoat Limited**

The plant of Baycoat Limited, in which Stelco has a 50% ownership interest, will be in operation in Hamilton early in 1966. Baycoat will produce pre-painted steel coils in a wide range of gauges, colours and finishes for buildings, appliances and many other end uses.

### **Mining Properties**

High rates of output were maintained at your Company's iron ore, coal and limestone properties, and satisfactory levels of efficiency and costs of production were achieved.

The Scully Mine at Wabush Lake in Labrador and the Arnaud Pellet Plant at Pointe Noire, Quebec, were officially opened during the summer by the Premier of Newfoundland and Labrador and the Prime Minister of Quebec, respectively. Production of iron ore concentrates and pellets began in the spring and output was gradually increased as crews were trained and appropriate operating procedures were established. The use of Wabush pellets in the Company's blast furnaces began late in the year with highly satisfactory results in terms of increased iron output and reduced coke consumption.

Your Company's investment in The Scully Mine and Arnaud Pellet Plant amounts to \$65,000,000, representing an ownership interest of approximately 25% and entitling the Company to an equivalent share of the total annual output, estimated at 5,000,000 tons of high-grade material, from the combined facilities.

The Erie Mining Company, in which your Company holds a 10% interest, is expanding its mining and processing facilities in Minnesota to increase annual capacity for the production of iron ore pellets from 7,500,000 tons to 10,300,000 tons. The expansion is scheduled to be completed in 1967 and is estimated to cost \$50,000,000.

The leasing in 1965 of the Bruce Lake iron ore deposit of Iron Bay Mines in northwestern Ontario has added greatly to your Company's iron ore reserves. Contracts are being made for development of the mine and construction of a pelletizing plant to produce annually, starting in 1968, 1,500,000 tons of iron ore pellets which will be needed to support the new blast furnace being built at Hilton Works. The property has been named The Griffith Mine to honour Mr. H. M. Griffith, Executive Vice-President and Director, who has been responsible for the mining and manufacturing operations of your Company for several years.

The Company's coal property in Pike County, Kentucky, acquired under lease in 1964, is being developed by a wholly-owned subsidiary, Pikeville Coal Co., to provide 1,000,000 tons of high volatile coking coal a year, beginning in 1967. Modern mining equipment and coal cleaning facilities are being installed to ensure a uniform, high quality clean coal to supply the new coke ovens being installed at Hilton Works. This mine will be known as The Chisholm Mine in honour of Mr. J. T. Chisholm, Manager of Raw Materials.

### **EMPLOYEES**

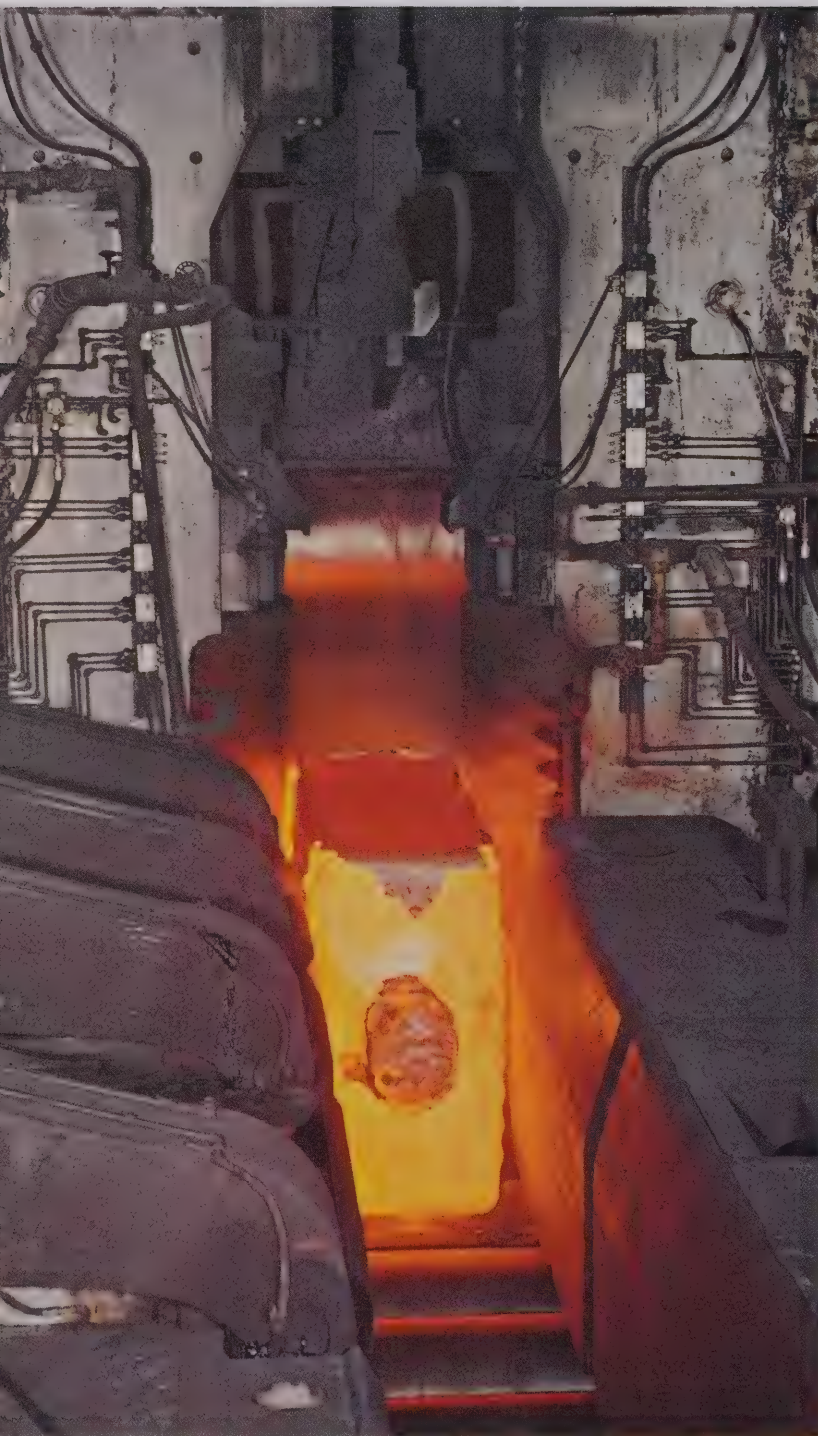
Plant additions and high levels of production created more job opportunities, and at the end of the year a total of 20,612 men and women were em-





Rolling wide plate in the new 148" plate mill — the 4-high reversing stand, preceded by the 2-high roughing mill seen on the right of the picture.





Rolling an ingot — this view shows the vertical edging rolls which have been added to convert No. 2 blooming mill to a universal slabbing mill.

ployed in the Company's plants and offices, an increase of 1,459 or nearly 8% since the first of the year.

Total employment costs in 1965, summarized below, amounted to \$143,178,741, and were 15.6% higher than in the previous year.

#### WAGES AND SALARIES

For time worked . . . . .	\$125,359,175
For vacation and statutory holidays not worked . . . . .	7,971,951
	<u>\$133,331,126</u>

#### SUPPLEMENTARY EMPLOYEE BENEFITS

Pension fund contributions, retiring allowances and group insurance plans . . . . .	\$ 7,556,541
Unemployment insurance and workmen's compensation . . . . .	2,291,074
	<u>\$ 9,847,615</u>

#### TOTAL EMPLOYMENT

COSTS . . . . .	<u><u>\$143,178,741</u></u>
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AVERAGE NUMBER OF EMPLOYEES . . . . .	20,262
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AVERAGE PER EMPLOYEE . . . . .	\$7,066
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Salary scales were adjusted in line with a consistent policy of maintaining salaries at prevailing industry and community levels, and improvements were made in the Benefit Plan for Salaried Employees.

In 1965, hourly wage rates and fringe benefits were further adjusted in accordance with collective



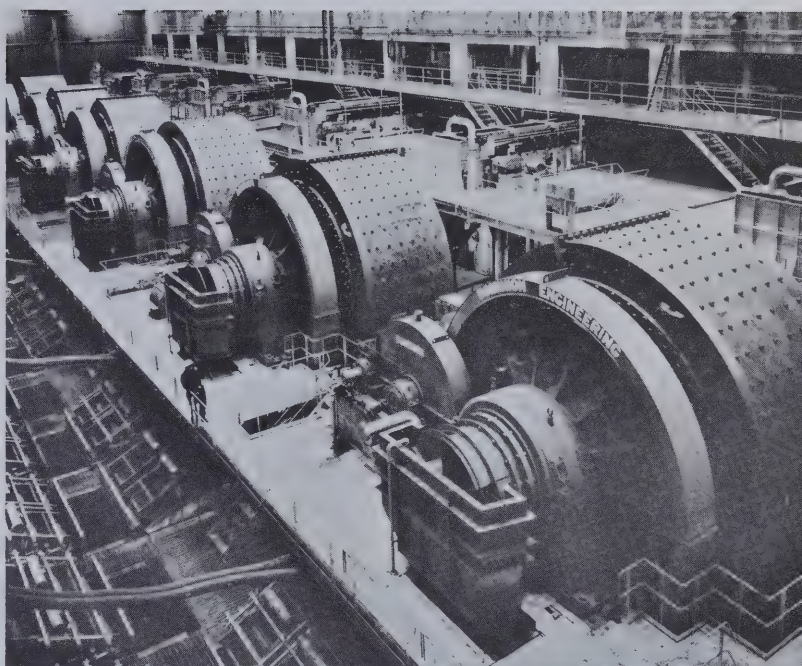
agreements in effect between the Company and the various unions representing employees. The agreements covering the majority of these employees will expire and be subject to renegotiation this year.

The importance of the selection, training and development of Stelco people has long been recognized by the Company. During the year, special studies were conducted to determine specific training and development requirements, and, as a result of these studies, new technical and managerial training programs were introduced. These programs will be extended from time to time as the needs arise.

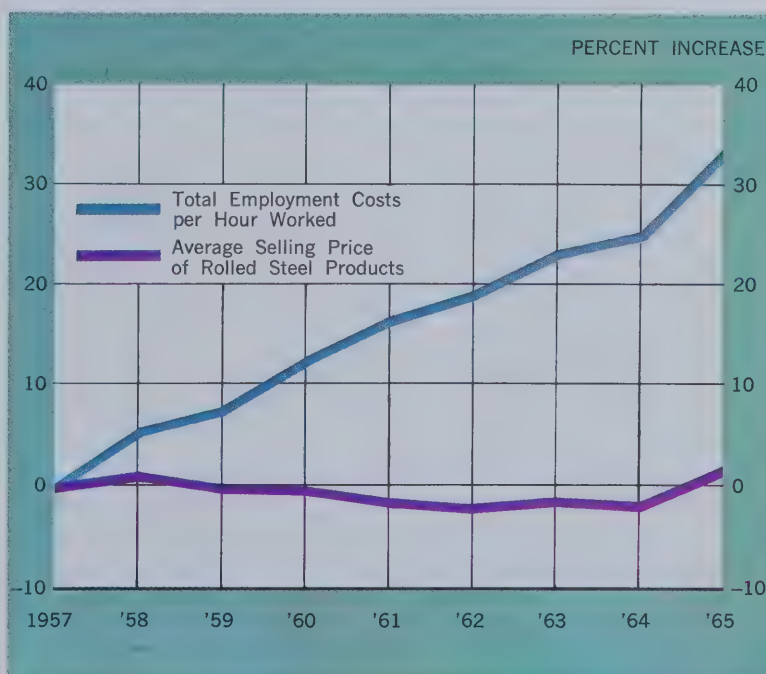
Payments to the pension trust funds in the year amounted to \$2,853,453, bringing total payments since a pension plan was first introduced in 1920 to \$34,276,364. A total of 1,505 former employees are receiving pensions under these plans.

## STOCK OPTION POLICY

To provide an added incentive to executives and other key employees, your Directors have adopted a Stock Option Policy under which 280,000 shares of the unissued capital stock of the Company (equal to 1.2% of the total shares issued) have been reserved for the granting of options, subject to a limitation on the number of shares that may be optioned to any one employee. On December 13, 1965, options were granted to officers and certain full-time salaried employees to purchase with their own funds 137,100 common shares at a price of \$25.50 per share, the closing bid price on the Toronto Stock Exchange on the last business day preceding the date the options were granted. These options may be exercised to the extent of 25% in each of the second, third and fourth years after the date of grant; and thereafter in whole or in part until December 13, 1975.



These autogenous grinding mills at Wabush are 24 feet in diameter and reduce chunks of iron ore to the consistency of beach sand.



**EMPLOYMENT COSTS AND SELLING PRICES**  
Percentage Increases, 1957-1965



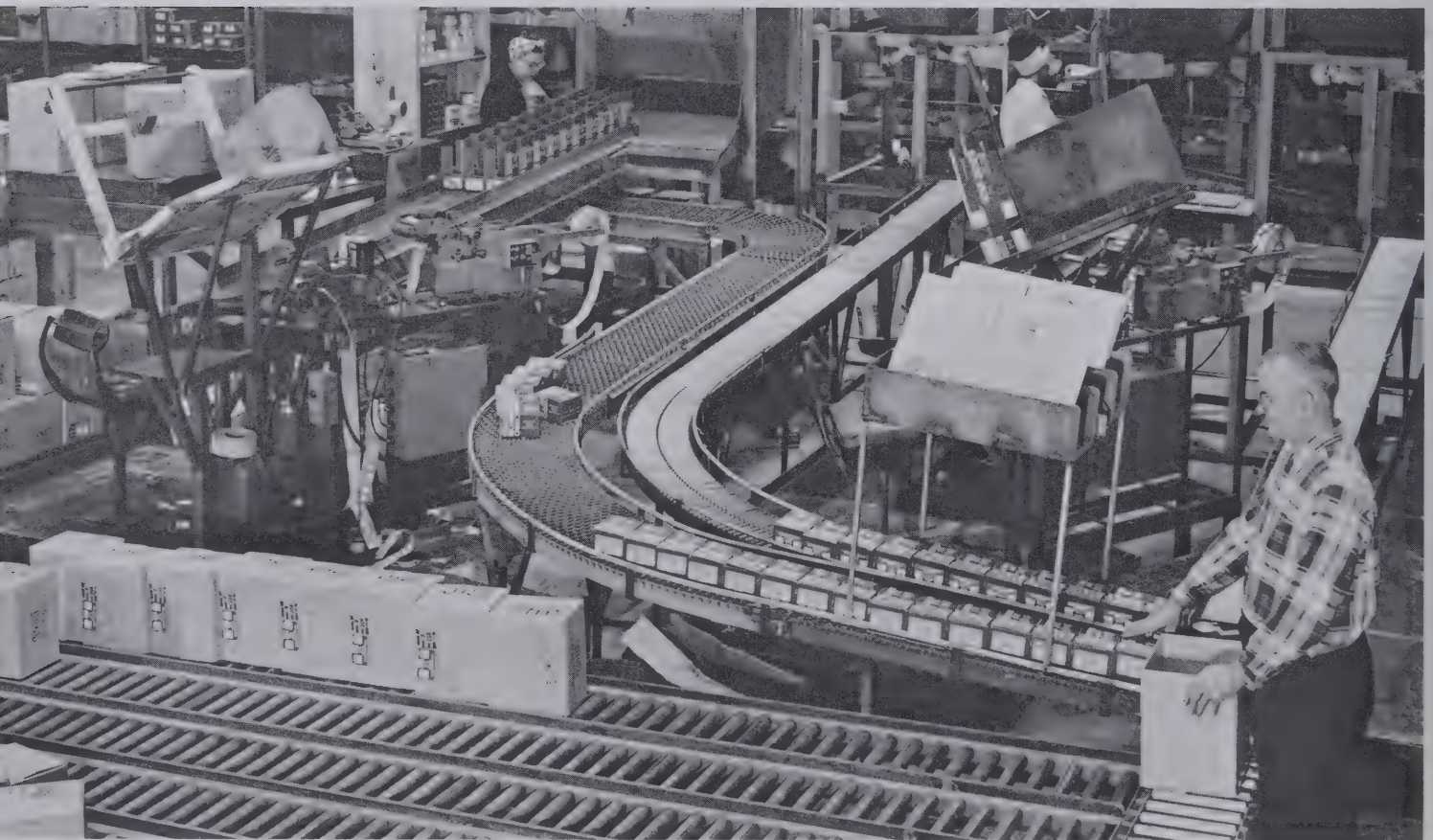
## COMMUNITY INTERESTS

Your Company continues to make contributions to education and to voluntary health and welfare agencies.

In the field of higher education, assistance is provided in the form of student aid and gifts to educational institutions. Over 150 graduate and undergraduate students at universities and technical colleges are receiving financial support from the Company by way of fellowships, scholarships and bursaries. In the past five years, the Company has made donations to the building programs of over 30 universities across the country.

The Steel Company of Canada's Chair in Metallurgy, established in 1959 at McMaster University to commemorate the Company's Fiftieth Anniversary, has proved to be a most valuable addition to the University's work in the field of metallurgy. It provides the means for training teachers and highly qualified specialists in a science so important to the development of the country's natural resources and industrial economy.

Contributions are also made to various community organizations and projects such as hospitals, Y.M.C.A., Y.W.C.A. and other building funds, and to the United Appeals in the centres in which plants and offices of the Company are located.



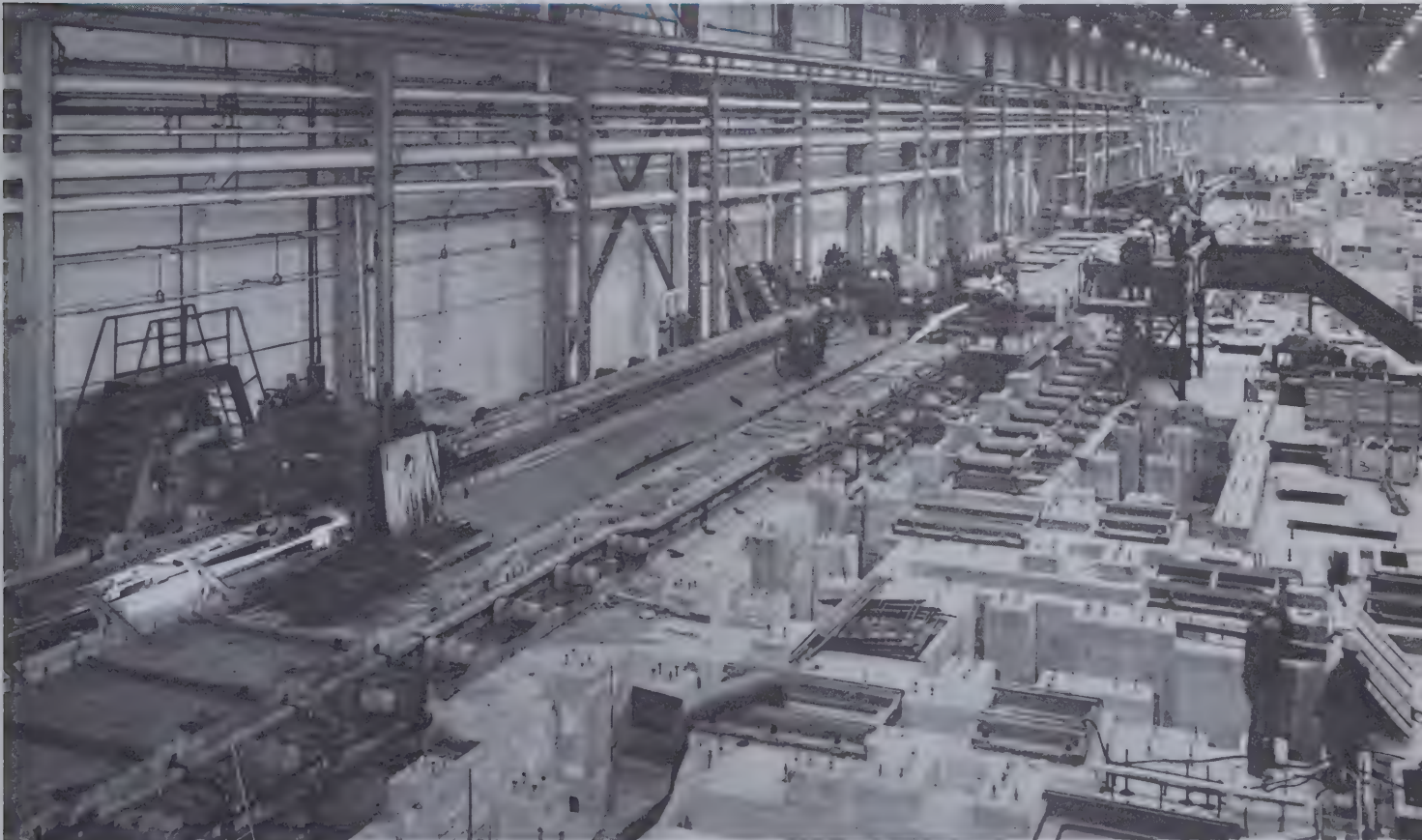
A modern packaging line for bolt products — part of the new warehouse at Swansea Works.





## EXPO '67

Your Company has joined with three other integrated Canadian steel companies to provide a steel industry pavilion for Expo '67, the Universal and International Exhibition to be held in Montreal in 1967. To be located on île Notre Dame in Montreal, the pavilion will feature realistic exhibits showing how steel is made and shaped, and also the products of steel. Included will be a theatre in which a filmed story of steel will be shown. To the millions of people expected to visit the Exhibition, the pavilion will demonstrate the progressive qualities and vitality of the Canadian steel industry, and the important role that steel plays in the economy of Canada.



Preparations in progress for completing the installation of rolling equipment in the new bar mill at Contrecoeur, Quebec.



## ORGANIZATION

Two new senior management positions were created in October. Mr. J. D. Allan was appointed Vice-President, Eastern Region, to coordinate and represent the Company's substantial and growing interests in Quebec and the eastern provinces; and Mr. A. D. Fisher was appointed Vice-President, Facilities Planning, Research and Engineering, to provide for effective integration of the Company's research, facilities planning and development functions.

## SHAREHOLDERS

At the end of 1965, the Company's shareholders numbered 46,597, an increase of 13.7% over the total of 40,973 shareholders on record at the end of 1964. The average individual holding was 518 shares, and residents of Canada held approximately 93% of the 24,139,052 shares outstanding.

## DIRECTORS

With deep regret your Directors record the death on February 25, 1965, of Mr. Louis L. Lang who had served as a Director of your Company since 1944. Your Directors also regret to report the retirement of Mr. A. Macfadyen on April 12, 1965. Mr. Lang and Mr. Macfadyen brought the benefit of broad experience and mature judgment to the guidance of your Company's business and their contribution is gratefully acknowledged.

At the Annual and a Special General Meeting on April 12, 1965, the shareholders approved an amendment to the by-laws, reducing the number of directors from sixteen to fifteen.

The vacancy on the Board was filled by the election on April 12, 1965, of Mr. J. D. Campbell, President, Canadian Westinghouse Company Limited.

★ ★ ★

Once again, your Directors wish to express their appreciation to all officers and employees of the Stelco organization for another year of dedicated and efficient service and to the Company's customers, shareholders and suppliers for their continued support.

Submitted on behalf of the Board of Directors.

V. W. Scully, *President*.

Hamilton, Canada,  
February 14, 1966.



**THE STEEL COMPANY OF CANADA, LIMITED** and Subsidiary Companies  
**CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS**  
for the year ended December 31, 1965 (with comparative figures for the year 1964)

	1965	1964
<b>REVENUE</b>		
Net sales . . . . .	\$516,405,960	\$477,822,640
Income from marketable securities . . . . .	1,416,334	2,439,222
Income from associated companies . . . . .	—	834,230
	<u>\$517,822,294</u>	<u>\$481,096,092</u>
<b>EXPENSE</b>		
Cost of sales, exclusive of the following items . . . . .	\$404,978,217	\$376,550,491
Provision for depreciation (Note 5) . . . . .	27,593,809	26,003,134
Interest on long-term debt . . . . .	2,988,835	1,120,877
Provision for income taxes — current . . . . .	3,854,563	4,293,541
— deferred . . . . .	34,953,000	29,497,565
	<u>\$474,368,424</u>	<u>\$437,465,608</u>
<b>NET PROFIT FOR THE YEAR</b> . . . . .	\$ 43,453,870	\$ 43,630,484
<b>RETAINED EARNINGS at beginning of year</b> . . . . .	260,478,996	235,713,167
Reserves transferred . . . . .	—	4,136,354
	<u>\$303,932,866</u>	<u>\$283,480,005</u>
<b>Deduct</b>		
Discount and expense related to the issue and redemption of long-term debt . . . . .	\$ 1,011,180	—
Loss on mining properties written off . . . . .	—	\$ 2,604,318
Expenses related to the acquisition of Page-Hersey Tubes, Limited . . . . .	—	644,866
Dividends declared — 80 cents per share . . . . .	19,310,945	18,544,957
Extra distribution — 5 cents per share . . . . .	1,206,952	1,206,868
	<u>\$ 21,529,077</u>	<u>\$ 23,001,009</u>
<b>RETAINED EARNINGS at end of year</b> . . . . .	<u>\$282,403,789</u>	<u>\$260,478,996</u>



# CONSOLIDATED BALANCE SHEET DECEMBER 31, 1965

(with comparative figures at December 31, 1964)

ASSETS	1965	1964
<b>CURRENT ASSETS</b>		
Cash . . . . .	\$ 7,576,205	\$ 7,665,340
Marketable securities, at cost (quoted market value December 31, 1965, \$38,000,000; 1964, \$25,100,000) . . . . .	37,939,107	25,069,808
Due from employees on Government of Canada bond subscriptions (secured) . . . . .	1,306,971	1,295,673
Accounts receivable . . . . .	73,459,528	66,730,144
Inventories, at the lower of cost or market (Note 6) . . . . .	121,112,044	94,854,098
Prepaid expenses . . . . .	1,075,151	456,966
	<u>\$242,469,006</u>	<u>\$196,072,029</u>
<b>INVESTMENTS IN ASSOCIATED COMPANIES,</b>		
at cost (Note 7) . . . . .	<u>\$ 19,011,896</u>	<u>\$ 17,824,264</u>
<b>FIXED ASSETS</b>		
Plants and properties, at cost . . . . .	\$750,803,179	\$681,717,501
Less: Accumulated depreciation . . . . .	354,512,432	330,854,702
	<u>\$396,290,747</u>	<u>\$350,862,799</u>
	<u>\$657,771,649</u>	<u>\$564,759,092</u>



# THE STEEL COMPANY OF CANADA, LIMITED and Subsidiary Companies

## LIABILITIES

	1965	1964
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued . . . . .	\$ 53,285,031	\$ 62,576,713
Provision for income and other taxes . . . . .	2,794,180	3,462,611
Dividend and extra distribution payable . . . . .	6,034,763	6,034,341
Current portion of long-term debt . . . . .	—	1,303,545
	<u>\$ 62,113,974</u>	<u>\$ 73,377,210</u>
 LONG-TERM DEBT (Note 2) . . . . .	 78,480,000	 31,082,000
 PROVISION FOR DEFERRED INCOME TAXES . . . . .	 106,675,000	 71,722,000
	<u>\$247,268,974</u>	<u>\$176,181,210</u>
 <b>SHAREHOLDERS' EQUITY</b>		
<b>COMMON SHARES — no par value (Note 9)</b>		
Authorized — 28,000,000 shares		
Issued — 24,139,052 shares . . . . .	\$128,098,886	\$128,098,886
 RETAINED EARNINGS — in use in the business . . . . .	 282,403,789	 260,478,996
	<u>\$410,502,675</u>	<u>\$388,577,882</u>
	<u>\$657,771,649</u>	<u>\$564,759,092</u>

Approved on behalf of the Board,

H. G. HILTON }  
V. W. SCULLY } Directors.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## December 31, 1965

1. It is estimated that \$190,000,000 will be required to complete approved capital programs.
2. Long-term debt (less current portion) consists of the following:

	1965	1964
<b>The Steel Company of Canada, Limited</b>		
2¾% Sinking fund debentures due May 1, 1967 . . . . . (Sinking fund requirements to maturity fulfilled)	\$ 9,659,000	\$ 9,669,000
3¾% Sinking fund debentures due May 1, 1967 . . . . . (Sinking fund requirements to maturity fulfilled)	8,100,000	8,100,000
5½% Sinking fund debentures due May 1, 1990 . . . . . (Annual sinking fund requirement \$1,250,000 commencing May 1, 1970)	50,000,000	—
<b>Page-Hersey Tubes, Limited</b>		
4¼% Sinking fund debentures due April 1, 1971 . . . . . (Annual sinking fund requirement \$400,000, fulfilled to April 1, 1967)	2,731,000	3,013,000
5½% Sinking fund debentures due April 1, 1983 . . . . . (Annual sinking fund requirement \$350,000 — 1967 through 1974; \$400,000 — 1975 through 1982)	7,990,000	8,000,000
<b>Premier Steel Mills Ltd.</b>		
6¼% First mortgage sinking fund bonds series A due July 15, 1981 . . . . .	—	2,200,000
5¾% First mortgage serial bonds series A due July 15, 1966 . . . . .	—	100,000
	<u>\$78,480,000</u>	<u>\$31,082,000</u>

3. The Company, as a shareholder of Erie Mining Company, is entitled to 10% of Erie's production of iron ore pellets, for which it is committed to pay 10% of Erie's costs, including a minimum annual charge for depreciation, not exceeding \$2,000,000, to cover the repayment of 10% of Erie's long-term debt.
4. Accounts originating in foreign currencies have been converted generally at current rates of exchange except for plant and property values which have been converted at rates in effect at the date of acquisition.
5. Provision for depreciation, in accordance with the policy adopted in 1960, has been computed on a straight-line basis, subject to adjustment for variations in the level of operations.
6. In determining the cost of the major portion of its inventories, the Company follows the last-in, first-out method, the balance being determined at average cost.
7. The cost of investments in associated companies amounted to \$19,011,896 at December 31, 1965, at which date the net equity value of the investments, as recorded in the accounts of the associated companies, was \$22,794,188.
8. The total remuneration received as a director or officer by directors from the Company and its subsidiaries for the year ended December 31, 1965, was \$464,086.
9. In accordance with a Stock Option Policy adopted in 1965, 280,000 shares of the capital stock of the Company have been reserved for stock options. On December 13, 1965, options to purchase common shares at a price of \$25.50 per share were granted as follows: to officers, options for 62,100 shares; to other employees, options for 75,000 shares. The options granted are exercisable to the extent of 25% in each of the second, third and fourth option years and thereafter in whole or in part until December 13, 1975.



**THE STEEL COMPANY OF CANADA, LIMITED** and Subsidiary Companies  
**CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS**

for the year ended December 31, 1965 (with comparative figures for the year 1964)

	1965	1964
<b>SOURCE OF FUNDS</b>		
From operations:		
Net profit for the year . . . . .	\$ 43,453,870	\$ 43,630,484
Non-cash charges for:		
— depreciation . . . . .	27,593,809	26,003,134
— deferred income tax . . . . .	34,953,000	29,497,565
	<u>\$106,000,679</u>	<u>\$ 99,131,183</u>
Net proceeds from sale of debentures . . . . .	49,103,570	—
Working capital of subsidiary companies acquired . . . . .	—	28,131,881
Sundry items (net) . . . . .	1,330,458	2,601,484
	<u>\$156,434,707</u>	<u>\$129,864,548</u>
<b>USE OF FUNDS</b>		
Expenditures for plants and mining properties . . . . .	\$ 75,539,847	\$109,305,856
Repayment of long-term debt . . . . .	2,716,750	3,460,500
Dividends and extra distribution declared . . . . .	20,517,897	19,751,825
	<u>\$ 98,774,494</u>	<u>\$132,518,181</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL . . . . .</b>	<b>\$ 57,660,213</b>	<b>\$ (2,653,633)</b>
Working capital at beginning of year . . . . .	122,694,819	125,348,452
Working capital at end of year . . . . .	<u>\$180,355,032</u>	<u>\$122,694,819</u>

**AUDITORS' REPORT**

To The Shareholders,  
The Steel Company of Canada, Limited.

We have examined the accompanying consolidated financial statements of The Steel Company of Canada, Limited and its subsidiary companies for the year ended December 31, 1965 comprising the consolidated balance sheet at that date and the consolidated statements of income and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the companies at December 31, 1965 and the results of their operations and the source and use of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
February 11, 1966.

RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants



## TEN YEAR STATISTICAL SUMMARY

	OPERATIONS (Thousands of Net Tons)		INCOME AND RELATED DATA (Thousands of Dollars)					
	Steel Produced	Steel* Processed	Sales	Depreciation	Income Taxes	Net Profit	Net Profit Per Cent of Sales	Dividend (including e distribution)
1965	3,846	4,137	516,406	27,594	38,808	43,454	8.4	20,511
1964	3,479	3,884	477,823	26,003	33,791	43,630	9.1	19,752
1963	3,110	3,122	370,989	24,081	31,680	37,095	10.0	15,723
1962	2,779	2,768	332,205	22,631	26,350	30,299	9.1	12,653
1961	2,445	2,428	288,356	18,922	22,287	27,378	9.5	11,712
1960	2,152	2,336	281,967	17,433	17,278	21,356	7.6	10,412
1959	2,438	2,687	321,544	18,804	28,824	32,878	10.2	9,103
1958**	1,668	1,686	225,179	17,376	15,294	16,371	7.3	8,206
1957	2,178	2,241	274,850	19,667	17,125	21,158	7.7	8,206
1956	2,367	2,399	272,887	16,258	22,535	22,694	8.3	7,342

\*Includes steel purchased and steel received from customers for conversion.

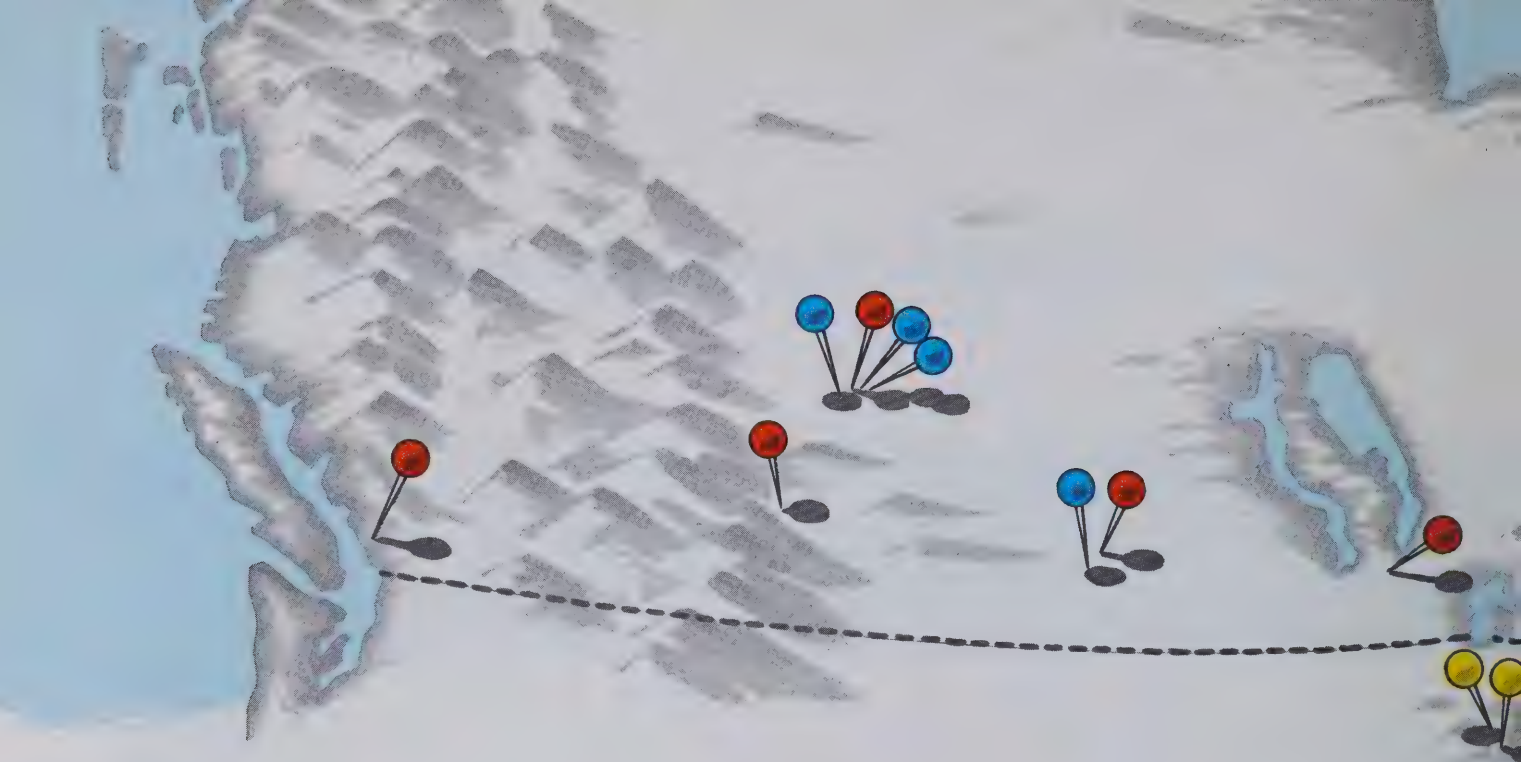
\*\*1958 operations interrupted by strike — 86 days.



# THE STEEL COMPANY OF CANADA, LIMITED and Subsidiary Companies

CAPITAL EXPEN- DITURES  (Thousands of Dollars)	FINANCIAL POSITION, YEAR END (Thousands of Dollars)			EMPLOYMENT			NUMBER OF SHARE- HOLDERS, YEAR END	
	Working Capital	Plants and Properties—Net	Shareholders' Equity	Average Number of Employees	Total Employment Costs (Thousands of Dollars)	Employees' Average Weekly Earnings		
75,540	180,355	396,291	410,503	20,262	143,179	\$125.13	46,597	1965
109,306	122,695	350,863	388,578	18,584	123,864	\$121.33	40,973	1964
52,236	125,348	234,035	326,437	16,599	107,386	\$117.00	30,297	1963
67,036	118,681	206,530	302,721	15,692	98,464	\$114.71	25,746	1962
38,754	134,895	165,759	290,256	14,432	87,942	\$111.47	18,259	1961
53,290	95,139	147,652	240,141	14,600	84,690	\$105.57	15,734	1960
35,123	115,842	117,197	228,925	15,255	86,938	\$104.50	15,403	1959
14,395	104,357	104,811	200,012	13,737	64,744	\$ 98.72	15,226	**1958
47,066	91,662	108,875	191,773	14,488	75,910	\$ 96.00	15,210	1957
35,688	106,711	87,635	178,817	14,404	71,795	\$ 91.68	14,664	1956





## OFFICES AND PLANTS

### HEAD OFFICE

Hamilton, Ontario, Canada

### GENERAL OFFICES

Hamilton, Ontario, Wilcox Street

Montreal, Quebec, 525 Dominion Street

### SALES OFFICES

Hamilton, Ontario

Montreal, Quebec

Calgary, Alberta

Edmonton, Alberta

Halifax, Nova Scotia

London, Ontario

London, England

Ottawa, Ontario

Quebec, Quebec

Regina, Saskatchewan

Saint John, New Brunswick

St. John's, Newfoundland

Sudbury, Ontario

Toronto, Ontario

Vancouver, British Columbia

Windsor, Ontario

Winnipeg, Manitoba

### PLANTS

#### ONTARIO

##### Hamilton

- Hilton Works
- Ontario Works
- Canada Works
- Parkdale Works
- Frost Works
- The Canadian Drawn Steel Company, Limited

##### Brantford

- Brantford Works

##### Toronto

- Swansea Works

##### Gananoque

- Gananoque Works

##### Welland

- Page-Hersey Works
- Welland Tube Works

##### Beachville

- Chemical Lime Works

#### QUEBEC

##### Montreal

- St. Henry Works
- Notre Dame Works

##### Lachine

- Dominion Works

##### Contrecoeur

- McMaster Works

#### SASKATCHEWAN

##### Regina

- Saskatchewan Steel Fabricators Ltd.

#### ALBERTA

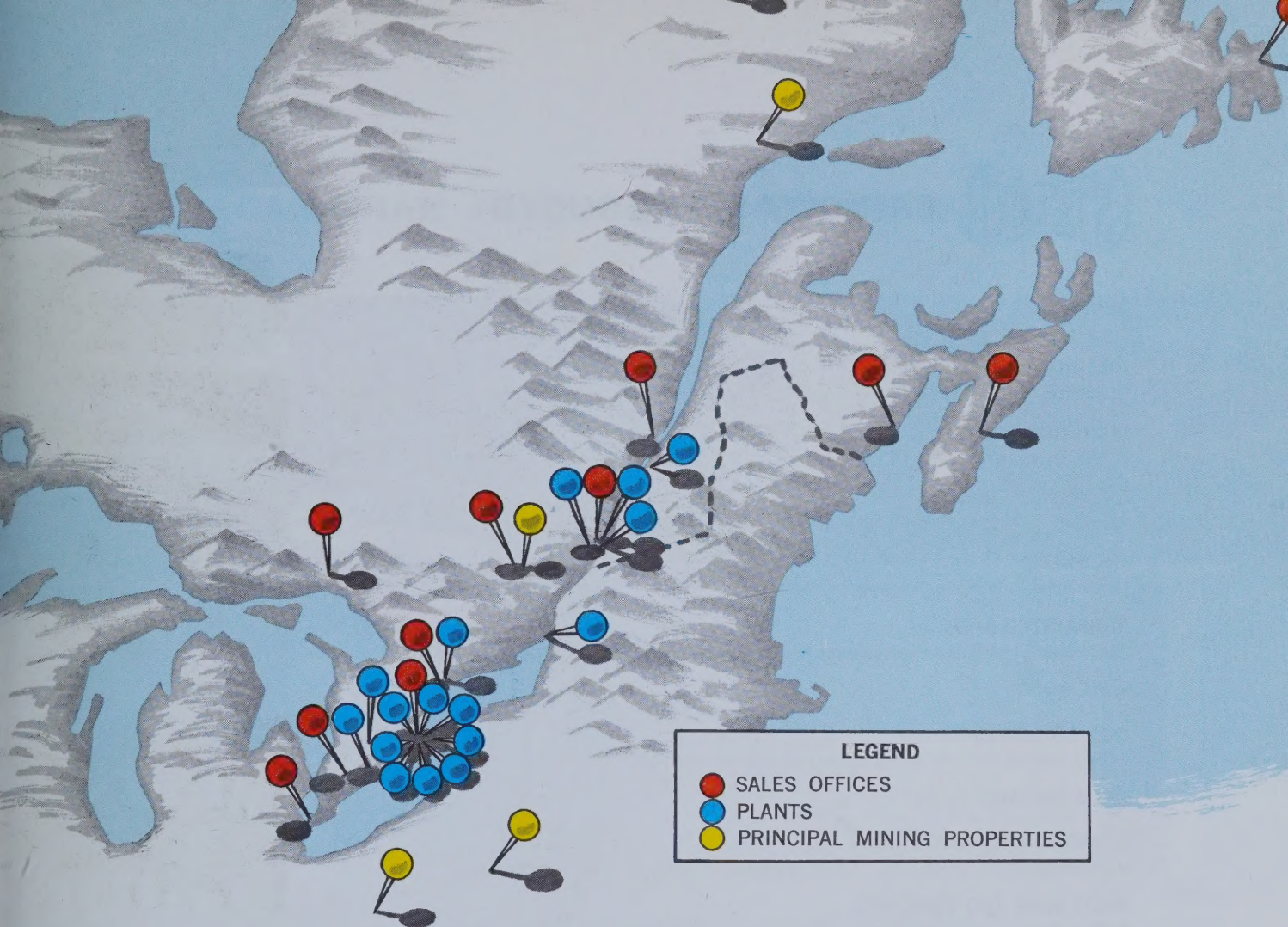
##### Edmonton

- Premier Works

##### Camrose

- Camrose Works





#### LEGEND

- SALES OFFICES
- PLANTS
- PRINCIPAL MINING PROPERTIES

## SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

### SUBSIDIARY COMPANIES

*(Consolidated in Financial Statements)*

- Page-Hersey Tubes, Limited,  
Welland, Ont.
- Welland Tubes Limited,  
Welland, Ont.
- Camrose Tubes Limited,  
Camrose, Alta.
- Premier Steel Mills Ltd.,  
Edmonton, Alta.
- Saskatchewan Steel Fabricators Ltd.,  
Regina, Sask.
- The Canadian Drawn Steel Company, Limited,  
Hamilton, Ont.
- Frost Steel and Wire Company, Limited,  
Hamilton, Ont.
- Frost Steel and Wire Company Quebec, Limited,  
Montreal, Que.
- Chemical Lime Limited,  
Beachville, Ont.
- Stelco Coal Company,  
Pittsburgh, Pa.
- Pikeville Coal Co.,  
Louisville, Ky.

### JOINT VENTURES

*(Ownership interest consolidated in Financial Statements)*

- The Hilton Mines, Que.
- The Scully Mine, Nfld.
- Arnaud Pellets, Que.
- Clay and Howells Townships Property, Ont.
- Ontario Coal Property, Pa.

### ASSOCIATED COMPANIES

*(Included in Investments In Associated Companies in Financial Statements)*

- Baycoat Limited, Ont.
- Arnaud Railway Company, Que.
- Knoll Lake Minerals Limited, Nfld.
- Wabush Lake Railway Company, Limited, Nfld.
- Northern Airport Limited, Nfld.
- Northern Land Company Limited, Nfld.
- Twin Falls Power Corporation, Limited, Nfld.
- The Balkan Mining Company, Minn.
- Erie Mining Company, Minn.
- Ontario Iron Company, Minn.
- Western Mining Company, Minn.
- Mathies Coal Company, Pa.
- Olga Coal Company, W. Va.





## PRINCIPAL PRODUCTS

### PLATE

Up to 140" in width.

### HOT ROLLED SHEET

In sheets, coils, or strip.

### COLD ROLLED SHEET

In sheets, coils, or strip.

### GALVANIZED SHEET

Standard or "Colourbond", in sheets, coils or strip.

### TIN PLATE

Electrolytic, hot dip, and black, in sheets and coils.

### PREPAINTED STEEL

"Stelcolour", prefinished in colours, patterns, and simulated textures.

### WIRE RODS

### HOT ROLLED BARS

Alloy, carbon, leaded; in standard and special sections.

### COLD FINISHED BARS

### CONSTRUCTION MATERIALS

Reinforcing bars, welded wire fabric, prestressed concrete wire and strand.

### FASTENERS AND FORGINGS

Bolt and screw products, standard and special, track fasteners and pole line hardware. Standard and custom forgings in light and medium weights.

### PIPE AND TUBE PRODUCTS

Stretch-reduced continuousweld steel pipe, electric-resistance weld steel pipe, electric-fusion weld steel pipe, electricweld steel tubing, hollow structural sections, oil country tubular products, piling pipe, seamless steel pipe and tubing — hot finished or cold drawn, nipples and couplings.

### MANUFACTURERS' WIRE

A complete range of wire and strand for the manufacturing and electrical trades. Fine and heavy sizes in all grades and finishes in coils and cut lengths.

### MERCHANT WIRE PRODUCTS

A full range of nails, fence, and wire products — sold largely through distributor channels.

### FENCE PRODUCTS

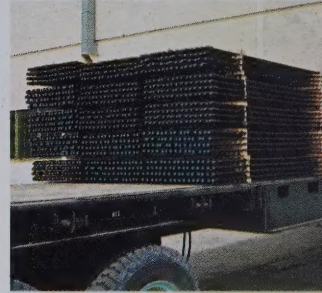
A complete service on industrial, institutional and residential fence.

### SPECIAL PRODUCTS

Grinding balls, grinding rods, sucker rods, and grader blades.

### CHEMICALS, ETC.

Coal tar, aromatic hydrocarbons, ammonium sulphate, lime and limestone.





**SERVING CANADIAN INDUSTRY IN MANY WAYS**

